

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3622-07
Bill No.: HS for HCS for SB 856
Subject: Taxation and Revenue - General; Economic Development.
Type: Original
Date: May 14, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(Unknown)	(\$138,000)	(\$138,000)
Total Estimated Net Effect on <u>All</u> State Funds*	(Unknown)	(\$138,000)	(\$138,000)

Unknown costs could exceed \$100,000 in FY 2003.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government*	\$0	\$0	\$0

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

RIVERFRONT DEVELOPMENT DISTRICT ACT (Sections 68.200 - 68.240);

In response to a similar proposal from this year (SCS for HCS for HB 1143), officials from the **Department of Economic Development (DED)** stated this part of the proposal would result in no cost to their agency. DED states that only new revenues will be used, thus the benefit should be an unknown positive one from the generation of new tax revenues and definitely not a negative impact.

In response to a similar proposal from this year (SCS for HCS for HB 1143), officials from the **Office of Administration - Budget and Planning** stated this section allows a port authority to submit a riverfront development district project application, for the use of state net new revenues, to the Department of Economic Development. If the application is approved, DED must request an appropriation for expenditure. The appropriation can last no more than 25 years and annual appropriations cannot exceed \$15 million per year. The number of projects, the amount of revenues generated, the amount appropriated by the general assembly, and the impact on general revenue is unknown.

Officials from the Department of Revenue did not have enough time to study this substitute and respond. **Oversight** assumes costs would be incurred by DOR (programming) as a result of this section and have estimated the amounts as “Unknown”.

Oversight assumes that the time needed to go through the process of establishing the riverfront development district, submitting plans to the municipality for approval, performing cost benefit analyses, holding public hearings, submitting application to DED for approval, complete construction within the riverfront development district and determining the annual “state net new revenues” would put the fiscal impact of this part of the proposal beyond FY 2005, or beyond the scope of this fiscal note.

ANNEXATION IN JACKSON OR CASS COUNTIES (Sections 72.080 & 72.130);

Officials from Jackson County, Cass County, City of Kansas City and the City of Belton have not responded to Oversight’s request for fiscal impact regarding this provision.

Oversight assumes this part of the proposal would not fiscally impact the state or the local governments.

ASSUMPTION (continued)

ENTERPRISE ZONE IN WRIGHT COUNTY (Section 135.259);

In response to a previous version of this proposal, officials from the **Department of Economic Development (DED)** stated the bill authorizes a new enterprise zone in Wright County. DED did not feel the bill has enough immediate impact on DED to warrant additional personnel or expenditures. At some point in the future, enough additional enterprise zone credits could be issued that would require an additional person. At that time, DED would request additional funding.

DED stated the average cost for each rural enterprise zone is \$138,000 per year and the cost of a metropolitan EZ is \$888,204. This bill provides for one rural enterprise zone. To calculate the cost of an enterprise zone, DED looked at the costs of enterprise zone tax credits, refunds, and income modifications (modification times tax rate to convert to dollar benefit) for a year. These figures are an average so some zones will cost more and some will cost less. It is not possible to predict anything more than the averages used as the cost until the zone has been created and mapped. DED assumes no additional personnel but could request some should work created dictate this course of action.

DED assumed the loss of tax revenue to be \$138,000 per year, starting in FY 2004.

In response to a previous version of this proposal, officials from the **Department of Revenue (DOR)** stated they did not anticipate a significant increase in the number of new credits filed. Therefore, DOR will not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

In response to a previous version of this proposal, officials from the **Department of Insurance (INS)** state the designation of an additional enterprise zone will increase the number of areas that receive enterprise zone tax credits. INS state they are unable to project how much in additional tax credits may be generated and what effect it will have on premium tax collections. Premium taxes are split between GR and the County Foreign Insurance fund which is later distributed to school districts. The fiscal impact will be an unknown loss of revenue to GR and the County Foreign Insurance fund.

In response to a previous version of this proposal, officials from **Wright County** state this proposal has the possibility of creating more jobs which brings more money into the area which results in an increase in sales tax of \$10,000 to \$100,000.

ASSUMPTION (continued)

Oversight assumes the local taxing and governing authorities may grant an exemption (in whole

or in part) of property taxes to new or expanding businesses after holding the required public hearings on the matter, therefore, has estimated the local impact as zero. The fiscal note does not reflect any indirect positive result that may occur because of the tax credits issued.

*LICENSING AND CERTIFICATION OF NURSING AND BOARDING HOMES
 (Section 1);*

Officials from the **Department of Social Services** and the **Department of Health and Senior Services** each assume this part of the proposal would not fiscally impact their respective agencies.

This proposal may result in a loss of Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
Programming charges for Riverfront District Development Act	(Unknown)	\$0	\$0
<u>Loss - Enterprise Zone in Wright Co.</u>	<u>\$0</u>	<u>(\$138,000)</u>	<u>(\$138,000)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(Unknown)</u>	<u>(\$138,000)</u>	<u>(\$138,000)</u>

Unknown costs could exceed \$100,000.

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could fiscally impact new or expanding businesses within the new enterprise zone.

DESCRIPTION

The proposal creates a Riverfront Development District Act. In this proposal a port authority may, by resolution, establish a riverfront development district to improve blighted areas within the city or county.

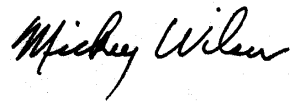
The proposal also allows the Department of Economic Development to authorize an enterprise zone in Wright County.

The proposal also states that licensing or certification provisions regarding convalescent, nursing and boarding homes shall not apply to entities that have received letters from the Department of Health and Senior Services or the Department of Social Services confirming that no licensing or certification is required. The proposal states the requirements of entity to keep from needing certification.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Department of Insurance
Department of Health and Senior Services
Department of Social Services
Wright County



Mickey Wilson, CPA
Acting Director
May 14, 2002